

Message Text

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PAGE 01 CANBER 05380 010952Z
ACTION EA-09

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FM AMEMBASSY CANBERRA
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E.O. 11652: N/A
TAGS: EINV, EFIN, AS
SUBJECT: DILLINGHAM CASE: AMBASSADOR'S CALL ON PRIME MINISTER'S
DEPARTMENT

1. ON 29 JULY AMBASSADOR CALLED ON ALAN CARMODY, SECRETARY,
DEPARTMENT OF PRIME MINISTER AND CABINET FOR INFORMAL
EXPLORATORY DISCUSSION OF DILLINGHAM CASE.
2. EMBASSY HAD PREVIOUSLY BEEN APPROACHED BY DILLINGHAM
AUSTRALIA REPRESENTATIVES AND BRIEFED ON CASE. IN ADDITION,
DURING PAST MONTH TWO SEPARATE EMBASSY VISITORS REPRESENTING
MAJOR U.S. FINANCIAL INSTITUTIONS INTERESTED IN AUSTRALIAN
INVESTMENT CLIMATE HAVE RAISED DILLINGHAM QUESTION DURING
THEIR EMBASSY VISITS. THEY HAVE INDICATED THAT DILLINGHAM
SHUTDOWN, AND MODEST BASIS OF COMPENSATION REPORTED
CONTEMPLATED BY GOA ARE CAUSING CONCERN IN U.S. INVESTMENT
CIRCLES CONCERNING AUSTRALIAN INVESTMENT CLIMATE.
3. AMBASSADOR REQUESTED CARMODY APPOINTMENT FOR PURPOSE OF
(1) DRAWING GOA ATTENTION TO CONCERN EXISTING IN OVERSEAS
BUSINESS CIRCLES AND THE EFFECT GOA'S FINAL DECISION ON
DILLINGHAM COMPENSATION CLAIM MAY HAVE ON POTENTIAL INVESTORS;
AND (2) TO LEARN INFORMALLY OF PRESENT GOA THINKING ON CASE.
AMBASSADOR EMPHASIZED THAT HE WAS NOT AT THIS TIME CALLING ON
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CARMODY TO PRESS ANY SPECIAL VIEWPOINT OR TO MAKE ANY
REPRESENTATION, AND THAT DEPENDING UPON FURTHER DEVELOPMENTS
HE MIGHT WISH AND OPPORTUNITY TO RETURN TO EXPRESS A VIEW N
SUBSTANCE OF CASE.

4. CARMODY STATED HE WELCOMED VISIT, AND WOULD BE HAPPY TO
ARRANGE INTENSIVE BRIEFING OF EMBASSY BE DEPARTMENTAL

OFFICERS CLOSELY FAMILIAR WITH CASE. ADDRESSING HIMSELF ONLY TO HIGHLIGHTS, HE STRESSED (1) DILLINGHAM HAD ADVANCE WARNING THAT ENVIRONMENTAL STUDY MIGHT LEAD TO TYPE OF ACTION WHICH EVENTUATED; (2) GOA OFFER TO PAY COMPENSATION WAS VOLUNTARY; (3) THAT SUCH ENVIRONMENTAL CASES WERE GROWING RAPIDLY IN ALL COUNTRIES, NOT LEAST IN THE UNITED STATES; (4) IN THIS CONNECTION HE COMMENTED THAT IN U.S. COMPENSATION FREQUENTLY WAS NOT OFFERED WHERE GOVERNMENT ORDERED INDUSTRIES TO DISCONTINUE OPERATION FOR ENVIRONMENTAL REASONS (DESPITE BRIEF QUESTIONING HE DID NOT FURTHER DOCUMENT THIS CONTENTION); (5) THE QUESTION OF PROPER AMOUNT OF COMPENSATION INVOLVED NUMEROUS DETAILED POINTS WHICH HE THOUGHT WE SHOULD BE BRIEFED ON. (AS ONE EXAMPLE HE VOLUNTEERED THAT DILLINGHAM WAS PRIOR TO SHUTDOWN FACING COMMERCIAL DIFFICULTY IN MARKETING ITS PRODUCT.)

5. WE EMPHASIZED, AS CLARIFYING POINT, THAT TO OUR KNOWLEDGE NO SERIOUS QUESTION HAD BEEN RAISED AMONG INTERESTED PARTIES CONCERNING GOA'S LEGAL ENTITLEMENT TO REVOKE EXPORT AUTHORIZATION. RATHER, OUR UNDERSTANDING WAS THAT CONCERNED BUSINESS REACTION RELATED PRIMARILY TO REPORTS CIRCULATING IN BUSINESS COMMUNITY RESPECTING THE LIMITED BASIS GOA HAD ADOPTED FOR DETERMINING PROPER COMPENSATION.

6. MEETING CONCLUDED WITH AGREEMENT THAT SUBSTANTIVE OFFICERS OF PRIME MINISTER'S DEPARTMENT DIRECTLY HANDLING LIMITED OFFICIAL USE

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DILLINGHAM CASE WOULD PROVIDE DETAILED BRIEFING TO EMBASSY REPS, AFTER WHICH PRESUMABLY AMBASSADOR WOULD, IF IT APPEARED DESIRABLE, HAVE FURTHER DISCUSSION WITH CARMODY.

7. EMBASSY COMMENT: WE BELIEVE THE PRINCIPAL NET BENEFIT OF THIS VISIT LIES IN FACT THAT IT CONFIRMS FOR GOA EMBASSY'S OFFICIAL INTEREST IN DILLINGHAM PROBLEM, AND REGISTERS THE BROADER QUESTION OF THE POSSIBLE RELATION BETWEEN IT HANDLING OF THIS CASE AND GOA'S OVERALL INTEREST IN BUILDING CONFIDENCE AMONG INVESTORS AND RESTORING INFLOW OF FOREIGN INVESTMENT. CARMODY'S APPROACH DURING RELATIVELY BRIEF DISCUSSION OF SUBSTANTIVE POINTS CONFIRMS OUR UNDERSTANDING THAT GOA CURRENTLY HOLDS A RELATIVELY HARD LINE POSITIONS TOWARD AMOUNT OF COMPENSATION. EMBASSY WILL PROCEED WITH DETAILED BRIEFING VOLUNTEERED BY CARMODY AND DETERMINE FUTURE COURSE OF ACTION IN LIGHT OF WHAT THIS BRIEFING SHOWS.
ALSTON

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